STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

OF

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY

OF

SALT LAKE CITY, UTAH

AS OF

December 31, 2005

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May 4, 2007

Honorable Alfred W. Gross, Commissioner
Chair, Financial Condition (E) Committee, NAIC
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
Richmond, Virginia 23218

Honorable D. Kent Michie, Commissioner
Secretary, Western Zone
State of Utah Insurance Department
3110 State Office Building
Salt Lake City, UT 84114

Pursuant to your instructions and in compliance with Utah Code Annotated (U.C.A.) Title 31A, an examination, as of December 31, 2005, has been made of the financial condition and business affairs of:

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
Salt Lake City, Utah

a stock life insurance company, hereinafter referred to as the Company, was conducted as of December 31, 2005.

SCOPE OF EXAMINATION

Period Covered by Examination

The last financial examination of the Company was conducted as of December 31, 2001. The current examination covers the period from January 1, 2002, through December 31, 2005, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination.

Examination Procedure Employed

This examination was conducted under the association plan of the National Association of Insurance Commissioners (NAIC), in accordance with the 2006 NAIC Financial Condition Examiners Handbook, while also incorporating risk-focused examination techniques published in the 2007 NAIC Financial Condition Examiners Handbook. The examination included a general review and analysis of the Company's operations, the manner in which its business was conducted during the examination period and a determination of its financial condition as of December 31, 2005. This included tests of accounting records and a review of the Company's affairs and practices to the extent deemed necessary. Material assets were valued and ownership verified, and liabilities were determined in accordance with the laws, rules and procedures prescribed by the state of Utah.

The Company retained the services of a certified public accounting firm to audit its financial records for the years under examination. The firm provided requested working papers prepared in connection with its audits.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

The examination relied on the findings of the actuarial firm employed by the state of Utah Insurance Department (Department) to verify aggregate reserves for life and accident and health, liability for deposit-type contracts, policy and contract claims, deferred premiums, agents' balances and installments booked but deferred and not yet due. The actuary tested the completeness of records and accuracy of the underlying data used to establish reserve amounts.

Status of Prior Examination Findings

Adverse findings noted in the prior report of examination were either adequately addressed by the Company or are identified as repeat exceptions in this report.

HISTORY

General

The Company was initially organized on June 5, 1935, as a mutual benefit assessment association. On March 7, 1936, the Company was operating under the name of Equitable Mutual Life Insurance Company of Utah. The name was changed to Equitable Life & Casualty Insurance Company on May 18, 1938. The Company's authorized lines of insurance as of December 31, 2005, were life and disability.

On May 20, 1946, the Company was converted to a capital stock legal reserve company. Authorized capital stock of the Company consisted of 500,000 shares of $1.00 par value stock. On May 14, 1979, the articles of incorporation were amended to increase the authorized capital stock to 2,000,000 shares of $1.00 par value stock.

During 1987, the articles of incorporation were amended to provide for 408,000 shares of preferred stock with a par value of $2.00. During 2001, the Company amended its articles of incorporation to change the common stock par value from $1.00 to no-par. At the same time, the board of directors retired all common and preferred treasury stock and increased the paid-in capital account of the Company to $2,500,000.

On May 13, 2002, the Company filed with the Department bylaws which had been amended during 1998. This was noted in the prior examination. No other amendments to the bylaws or articles of incorporation were noted during the period covered by this examination.

Capital Stock

As of December 31, 2005, the Company was authorized to issue 2,000,000 shares of no-par common stock. Four Hundred Thousand, Seven Hundred and Seventy shares are issued and outstanding. The Company is controlled by Insurance Investment Company, a Utah Corporation that owns 94% of the issued and outstanding common stock of the Company.

Dividends to Stockholders

The Company neither declared nor paid any dividends during the examination period.

Management

Directors of the Company, as of December 31, 2005 were as follows:

Name and Residence	Principal Occupation
E. Rod Ross Salt Lake City, Utah	Chairman of the Board President and Chief Executive Officer Equitable Life and Casualty Insurance Company
Kendall R. Surfass Park City, Utah	Vice President, Secretary and General Counsel Equitable Life and Casualty Insurance Company
Larry A. Thomas Park City, Utah	Chief Marketing Officer Equitable Life and Casualty Insurance Company
Joan Ogden Salt Lake City, Utah	Consulting Actuary Joan Ogden Actuaries
Robert E. Anderson Minneapolis, Minnesota	Vice President Re-Solutions Intermediaries

Officers of the Company as of December 31, 2005, were as follows:

Name	Title
E. Rod Ross	President and Chief Executive Officer
Kendall R. Surfass	Vice President, Secretary & General Counsel
Larry A. Thomas	Chief Marketing Officer
Kris S. Christensen	Treasurer

Three committees served the board of directors at December 31, 2005. The composition of the committees was as follows:

Steering Committee	Executive Committee	Finance Committee
E. Rod Ross	E. Rod Ross	E. Rod Ross
Kendall R. Surfass	Kendall R Surfass	Kendall R Surfass
Larry A. Thomas	Larry A. Thomas	Larry A. Thomas

At a special meeting held on August 16, 2006, the Company formally chartered an Audit Committee, which initially consisted of the following individuals:

E. Rod Ross (Chair)	Joan P. Ogden	Robert E. Anderson

A biographical affidavit for Robert A. Anderson was not filed with the Department immediately after his appointment as a member of the board of directors on May 16, 2005. This did not comply with U.C.A. § 31A-5-410(1)(a)(ii). The Company subsequently filed a biographical affidavit on September 13, 2006.

Conflict of Interest Procedure

The Company has an established procedure for disclosing to its board of directors any material affiliation on the part of its officers, directors, or responsible employees which is likely to conflict with the individual's official duties. Each person was required to file an annual statement disclaiming or disclosing any material conflict of interest. No exceptions to the established procedure were noted by the examination.

Corporate Records

Minutes of the meetings of the sole shareholder and minutes of the meetings of the board of directors were reviewed. The minutes indicated the Company operates within the scope of its authority and that the directors are properly informed of and participate in Company affairs. Generally, at each annual board meeting, a detailed report of investment transactions since the previous meeting was presented and approved.

The report of the examination of the Company generated by the Department as of December 31, 2001, was distributed to the board of directors on October 7, 2003, in accordance with U.C.A. § 31A-2-204(8).

The Company's corporate records noted no formal written implementation of an anti-money laundering program. The USA PATRIOT Act, Section 352, which was signed into law on October 26, 2001 and became effective on April 24, 2002, requires anti-money laudering programs for all financial institutions not later than May 2, 2006. On May 23, 2007, the examination was provided documentaton of the Company's Anti-Money Laundering Policy.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchases or Sales through Reinsurance

The Company was not involved in any acquisitions, mergers, disposals, dissolutions, and purchases or sales through reinsurance during the examination period.

Surplus Debentures

During 1997, the Company instituted a succession plan to purchase the majority of stock from shareholders directly or indirectly related to E. Rod Ross for $27,000,000. During May 1997, to satisfy one of the obligations of the succession plan, the Company executed a surplus contribution note of $3,000,000, to mature in 2003.

During June 1997, to satisfy other obligations of the succession plan, the Company executed a second surplus contribution note in the principal amount of $17,000,000, to mature in 2004. In March 1999 this note was renegotiated and was issued in the principal amount of $14,500,000, to mature in 2006.

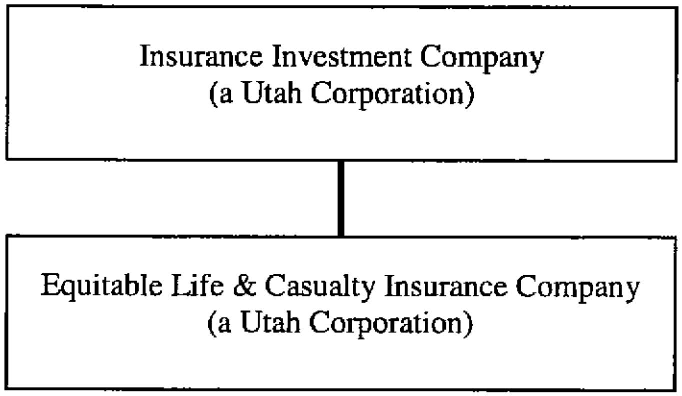
During the examination period covered, the Company made payments to reduce the surplus notes by $7,043,093 as listed in the following table:

Date of Payment	Amount
July 02, 2002	$ 200,000
October 02, 2002	387,270
December 30, 2002	431,212
April 01, 2003	474,333
July 01, 2003	474,333
October 01, 2003	474,333
December 31, 2003	1,420,332
July 01, 2004	1,897,330
October 03, 2005	283,950
December 30, 2005	1,000,000
Total	$ 7,043,093

As of December 31, 2005, the outstanding balance on this note was $1,456,907. The note was paid off on March 10, 2006.

AFFILIATED COMPANIES

The following identifies the Company's relationship within the holding company system and with its parent:



As of December 31, 2005, Insurance Investment Company (Holding Company) owns 94% of the Company's outstanding common stock. E. Rod Ross, the ultimate controlling person, owns 15% of the voting common stock of the Holding Company. In turn, the Company owns 84% of the common stock of the Holding Company. There were no other persons holding 10% or more of the voting shares of the Holding Company or of the Company.

Insurance holding company registration statements regarding this interrelationship were amended and filed with the Department on August 29, 2002, pursuant to U.C.A. §31A-16-105.

FIDELITY BOND AND OTHER INSURANCE

The amount of fidelity insurance coverage recommended by the NAIC for an insurer of the Company's size is between $900,000 and $1,000,000. The Company had fidelity coverage with a single loss limit of $500,000 as of December 31, 2005. The Company was also a named insured under policies providing property and liability coverage.

Subsequently, during the examination, the Company increased the fidelity insurance coverage to $1,000,000 effective March 1, 2007.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company's employees participate in a 401(k) profit sharing plan. Employees can contribute up to a maximum of 100% of their annual compensation. The plan provides for a safe harbor contribution of not less than 3% of compensation. Profit sharing contributions are made at the discretion of the Company.

No provision for any of these plans was necessary in the financial statement of the Company. The plan benefits, administered through a trustee, are paid as the obligations are incurred.

The Company's insurance programs provided to its qualified employees and their dependents consisted of group heath, dental, disability, and life insurance benefits.

STATUTORY DEPOSITS

Pursuant to U.C.A. §31A-4-105, the Company is required to maintain a deposit in an amount equal to its minimum capital requirement. The Company's minimum capital requirement was $400,000, at December 31, 2005. Deposits maintained by or through regulatory agencies in the policyholder's behalf, as of December 31, 2005, were as follows:

State	Description	Par Value	Fair Value
Arkansas	US Treasury Note	$ 250,000	$ 250,255
Missouri	US Treasury Note	700,000	699,426
New Hampshire	US Treasury Note	250,000	250,255
New Mexico	US Treasury Note	250,000	252,255
North Carolina	US Treasury Notes and MMF	509,091	499,827
South Carolina	US Treasury Note	200,000	201,804
Utah	U.S. Treasury Note, Federal Home Loan Mortgages and Industrial Obligations	3,200,000	3,287,376
Virginia	FNMA Notes	300,000	309,490
Total		$ 5,659,091	$ 5,750,688

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting

As of December 31, 2005, the Company insured individual disability and life product lines. Disability insurance products consisted of hospital indemnity, accident, nursing care, home health care, medicare supplement, and long term care. Life insurance products consisted of modified whole life, whole life, term life and joint whole life. The policy forms during the examination period were consistent with Department approved forms.

Underwriting consisted of criteria requirements and eligibility guidelines within the Company's covered products. The policy limits as of December 31, 2005, were as follows:

Life:	Policy Limits:
Whole Life	$ 250,000
Modified Whole Life	50,000
Joint Whole Life	36,000
Disability:	
Hospital Indemnity	$ 54,750
Accident	100,000
Home Health Care	122,400
Medicare Supplement	Unlimited
Long Term Care	Unlimited
Other:	
Critical Illness	$ 100,000

Territory and Plan of Operation

As of December 31, 2005, the Company was licensed to transact the business of life and disability insurance in 42 states, including the District of Columbia as follows:

Alabama	Illinois	Mississippi	Ohio	Utah
Alaska	Indiana	Missouri	Oklahoma	Vermont
Arizona	Iowa	Montana	Oregon	Virginia
Arkansas	Kansas	Nebraska	Pennsylvania	Washington
Colorado	Kentucky	Nevada	Rhode Island	West Virginia
Connecticut	Louisiana	New Hampshire	South Carolina	Wyoming
Delaware	Maine	New Mexico	South Dakota	
Hawaii	Maryland	North Carolina	Tennessee	
Idaho	Michigan	North Dakota	Texas	

During 2006, the Company became licensed in Massachusetts and has applications for licensure submitted to the states of Georgia and New Jersey.

As of December 31, 2005, approximately 93% of the Company's premium income was from disability insurance business and 7% was from life insurance business. The Company markets its products through an independent agent sales force. The Company contracts through agents, special general agents, general agents, and managing general agents. Approximately 3,586 active licensed agents were listed with the Department.

Advertising and Sales Material

The Company maintains a web site, www.equilife.com with information on products and services. The Company advertises through various mediums, including direct mail, newspaper inserts, magazine inserts, point of sale brochures, flyers and videos. The Company products are marketed to prospective purchasers through non-captive outside independent agents. The Company's sales materials were consistent with the related policies.

Treatment of Policyholders

Formal procedures to handle written complaints were in place within the Company. During the examination period three complaints were filed with the Department. All of the complaints were resolved and closed. To maintain control over policyholder complaints the Company has a complaint log which is categorized by state. The examination encountered no items of concern regarding treatment of policyholders.

REINSURANCE

Assumed

The Company assumed premiums for term life insurance from Beneficial Financial Group (formerly Beneficial Life Insurance Company) a Utah domestic life insurance company. This assumed business was terminated as of January 1, 2001.

The Company neither maintained nor entered into any other assumed reinsurance arrangements during the examination period.

Ceded

All ceded Medicare supplement coverage was recaptured during 2001. The Company no longer maintains reinsurance treaties for this coverage. As of December 31, 2005 the Company was a party of life and accident and health reinsurance contracts with various insurers who were authorized to conduct business in Utah as follows:

Reinsurer's Name	Type of Contract	Coverage	Company's Retention	Reinsurer's Limits
Munich American Reassurance Company	Quota Share	Long term Care	80% of first 2 years of claim; 10% of excess	20% of first 2 years; 90% of excess thereafter, no limit through May 1, 2000
Long Term Care Reinsurance Underwriters	Quota Share	Long term care	80% of first 2 years and 10% thereafter	20% of first 2 years and 90% thereafter, no limit effective May 1, 2000
Reliastar Life Insurance Company	Excess of Loss	Long term care	24 months of confinement plus 40% of skilled or intermediate care; 10% of custodial care; both maximum of $72 per day	60% & 90% maximum 2,920 days or $210,240 per insured; not to exceed $500,000
Employers Reassurance Corporation	Excess of Loss	Long term care	24 months of confinement plus 40% of skilled or intermediate nursing; 10% of custodial care	60% after first 24 months of confinement; maximum lifetime $200,000; 90% of custodial care
Reassure America Life Insurance Company	Coinsurance	Disability	20% of the first $500	80% not to exceed $10,000
Security Life of Denver Insurance Company	Coinsurance	Disability	100% ceded	Maximum, $25,000 on standard and medium risks $10,000 on special risks
Conseco Life Insurance Company	Coinsurance	Modified Whole Life	100% ceded	$10,000
Standard Life and Casualty Insurance Company	Coinsurance	Modified Whole Life	100% ceded	$10,000
Munich American Reassurance Company	Coinsurance	Modified Whole Life	$30,000 all ages	80% of the issue amount in excess of $25,000 not to exceed $50,000; over $50,000 facultative; Jumbo limits: Life $1,500,000 Accidental Death $200,000

Connecticut General Life Insurance Company	Yearly Renewable Term	Whole Life	$5,000 up to age 65	$80,000
Optimum Re Insurance Company	Coinsurance	Critical Illness	80% up to a maximum of $22,500	Automatic: age 18 to 65 (standard Issue) 20% of $22,500 up to a maximum of $100,000. Facultative: age 18 to 65 up to maximum of $250,000; Age 66 to 70 a maximum of $100,000

The Munich American Reassurance Company ceded agreement for long term care was canceled effective November 1, 2005.

ACCOUNTS AND RECORDS

As of December 31, 2005, the Company's accounts and records consisted of its general ledger, registers and other subsidiary records. These were maintained on a combination of manual systems and an AS400 Electronic Data Processing (EDP) system, located in the Company's office.

An examination trial balance was prepared from the Company's computerized general ledger as of December 31, 2005. Account balances were traced to the annual statement exhibits and schedules. Individual account balances for the examination period were examined as deemed necessary.

U.C.A § 31A-4-113 requires each authorized insurer to file a true statement of its financial condition and affairs as of December 31st of the preceding year in accordance with the Annual Statement Instructions and the Accounting Practices and Procedures manual published by the NAIC. According to the NAIC Annual Statement Instructions, a statement is not considered filed unless the information therein is complete and accurate.

The Company's custodial agreement was executed in October 1993, amended in March 1998, and was determined during the examination to be inconsistent with Utah Administrative Code (U.A.C.) Rule R590-178, which was amended effective September 19, 2006 and enforced by the Department 90 days after the effective date. On May 2, 2007, during the examination, the board of directors approved a revised custodial agreement. The Department determined that this custodial agreement and the board of directors approval were in compliance with U.A.C. Rule R590-178.

FINANCIAL STATEMENT

The following financial statements are included in the examination report:

BALANCE SHEET as of December 31, 2005

SUMMARY OF OPERATIONS for the Year Ended December 31, 2005

RECONCILIATION OF CAPITAL AND SURPLUS - 2002 through 2005

The accompanying COMMENTS ON FINANCIAL STATEMENT are an integral part of the financial statements.

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
BALANCE SHEET
as of December 31, 2005

ASSETS

	Amount
Bonds	$ 133,920,353
Mortgage loans on real estate: First Liens	9,155,648
Real estate: Properties held for sale	2,103,782
Cash, cash eqivalents and short-term investments	15,729,441
Contract loans	681,265
Investment income due and accrued	1,681,638
Uncollected premiums and agents' balances in the course of collection	654,824
Deferred premiums, agents' balances and installments booked but deferred and not yet dı	3,080,612
Amounts recoverable from reinsurers	3,304,648
Other amounts recoverable under reinsurance contracts	573,809
Net deferred tax asset	2,257,184
Guaranty funds receivable or on depsit	162,483
Electronic data processing equipment and software	175,469
Aggregate write-ins for other than invested assets:	265,713
Total assets	173,746,869

LIABILITIES

Aggregate reserve for life contracts	28,690,953
Aggregate reserve for accident and health contracts	92,079,014
Liability for deposit-type contracts	278,090
Contract claims: Life	750,000
Contract claims: Accident and Health	7,825,000
Provision for policyholders' dividends and coupons payable	1,409
Premium and annuity considerations received in advance	33,398
Other amounts payable on reinsurance	3,870,101
Interest maintenance reserve	212,787
General expenses due or accrued	753,866
Taxes, licenses and fees due or accrued	460,686
Current federal and foreign income taxes	1,488,832
Unearned investment income	3,432
Amounts withheld or retained by company as agent or trustee	468,313
Amounts held for agents' account	1,044,700
Remittances and items not allocated	165,293
Asset valuation reserve	600,482
Aggregate write-ins for liabilities	233,778
Total liabilities	138,960,134

CAPITAL AND SURPLUS

Common capital stock	2,500,000
Surplus notes	1,456,907
Aggregate write-ins for special surplus funds	(24,287,254)
Unassigned funds (surplus)	55,117,082
Total capital and surplus	34,786,735
Total liabilities, capital and surplus	$ 173,746,869

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
SUMMARY OF OPERATIONS
For the Year Ended December 31, 2005

INCOME	
Premium and annuity considerations	$ 116,228,144
Net investement income	7,452,981
Amortization of interest maintenance reserve	44,900
Commissions and expense allowances on reinsurance ceded	2,066,197
Aggregate write-ins for misscellaneous income	62,142
Total revenue	125,854,364
BENEFITS	
Death benefits	5,289,379
Disability benefits and benefits under accident and health policies	63,053,992
Coupons, guaranteed annual pure endowments and similar benefits	1,569
Surrender benefits and withdrawals for life contracts	414,142
Interest and adjustments of policy or deposit-type contract funds	(9,334)
Increase in aggregate reserves for life and accident and health policies and contracts	12,524,997
Total benefits	81,274,745
EXPENSES	
Commissions on premiums, annuity considerations, and deposit-type contract funds	21,717,537
General insurance expenses	12,649,261
Insurance taxes, licenses and fees, excluding federal income taxes	2,857,529
Increase in loading on deferred and uncollected premium	(151,239)
Aggregate write-ins for deductions	169,047
Total underwriting deductions	118,516,880
NET INCOME	
Net gain from operations	7,337,484
Dividends to policyholders	(1,921)
Federal and foreign income taxes incurred	(3,324,396)
Net gain from operations after dividend to policyholders and federal income taxes	4,011,167
Net realized capial gains	124,158
Net income (loss)	$ 4,135,325

EQUITABLE LIFE & CASUALTY INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2002 through 2005

	2002	2003	2004	2005
Capital and surplus, December 31, previous year	$ 29,223,322	$ 30,032,689	$ 30,412,709	$ 32,862,073
Net income	1,315,598	3,357,476	3,861,190	4,135,325
Change in net unrealized capital gains (losses)	(4,468)	(10,214)	-	(118,499)
Change in net deferred income tax	11,894	72,866	552,908	213,068
Change in nonadmitted assets and related items	(217,154)	747,095	20,067	(1,016,481)
Change in asset valuation reserve	93,822	(182,161)	(60,659)	2,297
Change in treasury stock	(13,860)	(1,848)	-	
Change in surplus notes	(1,717,045)	(3,603,193)	(1,897,330)	(1,283,950)
Transferred from surplus (stock dividend)	13,860	-	-	-
Transferred to capital (stock dividend)	(13,860)	-	-	-
Transferred to surplus	-	(15,708)	(26,812)	(5,250)
Transferred from capital		15,708	-	-
Aggregate write-ins for gains or (losses) in surplus	1,340,580	-	-	(1,848)
Net change in capital and surplus for the year	809,367	380,021	2,449,364	1,924,662
Capital and surplus December 31, current year	$ 30,032,689	$ 30,412,710	$ 32,862,073	$ 34,786,735

COMMENTS ON FINANCIAL STATEMENT

The examination has no comments relative to adverse findings, material changes in financial statement, or other significant regulatory information.

CAPITAL AND SURPLUS

The capital and surplus reported by the Company in its December 31, 2005 financial statement was $34,786,735. No financial adjustments were determined necessary for examination purposes. U.C.A. § 31A-8-209(1) requires the Company to maintain a minimum capital in the amount of $400,000. As defined by U.C.A. § 31A-17-601, the Company's reported total adjusted capital was $35,387,463, which was considered adequate to meet the authorized control level risk-based capital (RBC) requirement of $7,341,737.

SUMMARY OF EXAMINATION FINDINGS

Items of significance or special interest contained in this report are summarized below:

1. The Company's corporate records noted no formal written implementation of an anti-money laundering program as required under provision of the USA PATRIOT Act (Act). The Act, which became effective on April 24, 2002 requires anti-money laudering programs for all financial institutions not later than May 2, 2006. The examination noted the Company wrote less than 10% life insurance business and less than 1% were single premium whole life policies, which have the greatest risk of money laundering fraud. On May 23, 2007, the examination was provided documentaton of the Company's Anti-Money Laundering Policy. (HISTORY – Corporate Records)

2. The Company's custodial agreement was determined during the examination to be inconsistent with U.A.C. Rule R590-178, which was amended effective September 19, 2006 and enforced by the Department 90 days after the effective date. On May 2, 2007, during the examination, the board of directors approved a revised custodial agreement. The Department determined that this custodial agreement and the board of directors' approval were in compliance with U.A.C. Rule R590-178. (ACCOUNTS AND RECORDS)

ACKNOWLEDGEMENT

We acknowledge the assistance and cooperation extended during the course of the examination by officers, employees and representatives of the Company. In addition to the undersigned, Colette Reddoor, CFE, CPM, Assistant Chief Examiner, James MacDougall, FSA, MAAA, of Marsh Actuarial Consulting, Inc., Donald Catmull, CFE, Financial Examiner, and Malis Rasmussen, Financial Examiner, representing the Utah Insurance Department, participated in the examination.

Respectfully submitted,

David A. Martinez

David A. Martinez, CFE, AIE
Examiner in Charge
Representing the Western Zone and the
Utah Insurance Department